



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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July 26, 1991

Mr. Roy Benson
Division Manager
BM&T - Geneva Steel
c/o Keigley Quarry
P. O. Box 20-B, RFD #1
Santaquin, Utah 84655

Dear Mr. Benson:

Re: Memorandum Decision: Board Review of Form and Amount of Interim Surety for Geneva Steel's Iron Mountain Sites, M/021/001, M/021/005, and M/021/008, Iron County, Utah

I have enclosed a copy of the above-referenced Memorandum Decision of the Board of Oil, Gas and Mining, dated June 10, 1991. As stated, the Memorandum approves an interim surety amount of \$1,180,500 for a 12-month period from the approval date. This interim surety covers the Iron Mountain mine, M/021/008 and the Comstock mine, M/021/005, as shown on Table 1, enclosed.

The Memorandum denies conversion of the Keigley Quarry (M/021/001) surety from a Depository Account to a Self Bond, and the balance of discussion in the Memorandum addresses interim surety amounts for the Iron Mountain and Comstock sites.

In approving the interim surety amount of \$1,180,500, the Board accepted a self-bonding amount of \$540,549, and required posting of a balance of \$639,951 in a form other than a self-bond. Acceptable forms of surety are enumerated at R613-004-113, 4.11 through 4.15, and includes: Corporate Surety bonds; Federally-insured Certificate of Deposits, payable to the State of Utah, Division of Oil, Gas and Mining; Cash; an Irrevocable Letter of Credit, issued by a bank organized to do business in the United States; or escrow accounts.

The Memorandum has established the amount of surety. In order to facilitate Board approval of the form of surety at the September board hearing, I ask that Geneva

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Steel provide the appropriate documentation establishing surety in the amount of \$639,951 to the Division on or before September 2, 1991. This will facilitate transfer of the permit for the Utah International portion of the Comstock property at that same briefing session.

Best regards,

A handwritten signature in dark ink, appearing to read 'Dianne R. Nielson', with a long, sweeping horizontal stroke extending to the left.

Dianne R. Nielson
Director

jb

Enclosure

cc: Clayton Parr, Kimball, Parr and Waddoups
York Jones, UII
Lowell P. Braxton, DOGM
D. Wayne Hedberg, DOGM

M021001.1

Table 1

(last revised) - February 22, 1991

Mine Properties Under the Control
of
Geneva Steel

Name and Permit Number	Acreage	Permitted	Permit Operator	Surety Amount	Date Approved	Escalated Surety **	Cost if \$3,000/ac***
I. Iron Mountain Mine - M/021/008							
1. Iron Mountain	12	yes	Geneva	\$81,000	3/89	\$74,500	\$36,000
2. Blackhawk Fines Area	27	yes	Geneva	included in above	3/89	included in above	\$81,000
3. Mountain Lion	53	yes	Geneva	Same as above	3/89	Same as above	\$159,000
4. Burke Pit	1.5	* no	Geneva	n/a	n/a	\$4,600	\$4,500
5. Cheaspeake/Excelsior	8	* SMO only	Geneva	n/a	n/a	\$24,300	\$24,000
6. Tip Top	3	* no	Geneva	n/a	n/a	\$9,100	\$9,000
II. Comstock Mine - M/021/005							
1. UH Area	36	yes	* UH	\$217,421	5/80	\$109,600	\$108,000
2. Comstock Area	265 @ (253)	yes	* CF&I	\$588,951	4/80	\$914,300	\$795,000 (\$759,000)
Totals	405.5 (393.5)			\$887,372		\$1,136,400	\$1,216,500 (\$1,180,500)
III. Keigley Quarry - M/021/001 ****							
	400			\$505,000	3/89		

* Indicates problem with the permit/non-compliance

** These sureties have been escalated to 1992 dollars

*** Indicates a program average for reclamation costs within the state of Utah

**** This site is being evaluated separately from the other Geneva properties listed above

@ Geneva indicates this permit may include 12 acres which are also bonded under the Iron Mtn. permit (265 - 12 = 253)

jb

M021008

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BOARD OF OIL, GAS AND MINING,
STATE OF UTAH, DEPARTMENT OF NATURAL RESOURCES

BOARD REVIEW OF FORM AND AMOUNT)	
OF INTERIM SURETY FOR GENEVA)	
STEEL'S IRON MOUNTAIN SITES)	MEMORANDUM DECISION
M-021-001, M-021-005,)	
M-021-008, IRON COUNTY, UTAH)	

At its briefing session on March 21, 1991, the Board considered the request of Geneva Steel for approval of the proposed form and amount of interim surety for its Iron Mountain operations in Iron County. Geneva requests that the Board approve a consolidated blanket self-bond in the amount of \$1,180,500. The interim bond is requested for a period of 12 months from Board approval at which time a long-term bond would be established based upon a more detailed evaluation of the probable total reclamation costs for the covered properties.

Based upon the information presented, the Board approves the amount of surety requested, \$1,180,500 as an interim amount for a period of 12 months from entry of this Order. The form of surety requested, self-bonding, is of concern to the Board and the Board declines to approve self-bonding for the full \$1,180,500 amount for the reasons stated herein.

Section 40-8-14(3) of the Utah Code concerning suitable forms of surety, suggests that the surety may be "one or a combination of but not limited to: a written contractual agreement, collateral, a bond or other form of assured guaranty, deposited securities or cash." Subsection (3) goes on to provide "In making this decision, the Board shall, with respect to the operator, consider such factors as his financial status, his assets within

the state, his past performance on contractual agreements and his facilities available to carry out the planned work." In furtherance of its statutory authorization, the Board approved the Division's Rule R613-4-113.4 providing that acceptable forms of reclamation surety include: 1) a corporate surety bond; 2) a federally insured certificate of deposit; 3) cash; 4) an irrevocable letter of credit; 5) an escrow account; and 6) a written self-bonding agreement in the case of operators showing sufficient financial strength. In aid of evaluating "sufficient financial strength", the Board has adopted a self-bonding policy and application form to establish the threshold qualifications of an operator for consideration for self-bonding. The threshold criteria consider both balance sheet strength and the entity's history of operations. Pursuant to the policy, candidates for self-bonding must 1) show an operational history of at least five years, and 2) have either a current rating for its most recent corporate bond issue of "A" or higher, or show a tangible net worth of at least \$10,000,000.00, a total liability to net worth ratio of 2.5 or less and a current assets to current liabilities ratio of 1.2 or greater, or show fixed assets in the United States of at least \$20,000,000.00, a total liability to net worth ratio of 2.5 or less, and a current assets to current liabilities ratio of 1.2 or greater. Geneva Steel meets the financial criteria with the exception of the bond rating and therefore shows sufficient balance sheet strength for consideration for self-bonding. Geneva Steel does not, however, have five years of corporate operational

experience and therefore fails to meet the operational history criteria.

Subsequent to its March briefing session, counsel for Geneva Steel submitted additional information and analysis with regard to its self-bonding request in the form of a letter dated April 18, 1991, addressed to the Board members. Geneva there argues, in essence, that its great financial strength should outweigh any lack of operational history, and should therefore entitle Geneva Steel not only to consideration for self-bonding but to approval of its self-bonding request. The Board disagrees.

The Board considers its charge under the Utah Mined Land Reclamation Act to be to require adequate security to ensure reclamation of mined lands in Utah. To that end, the Board believes it has the discretion to evaluate the risk posed to Utah taxpayers for the reclamation of unreclaimed sites in the event the surety posted by mine operators fails and the public becomes liable for mine reclamation. In furtherance of that weighing, the Board has adopted rules specifying the types of surety it will consider and has adopted a policy with regard to the form of surety which the Board considers to be the least secure. Geneva Steel does not meet the threshold criteria of the policy, and is not "entitled" to approval of its self-bonding request.

The Board does, however, believe that a mix of "hard" surety and self-bonding is appropriate in the present circumstances and will provide adequate protection for the State. The surety requested is interim only, for a period of 12 months, which will mandate its review and a re-evaluation after Geneva has completed

another year of operations at the Iron County sites. That fact, taken with Geneva Steel's formidable balance sheet strength, is the basis on which the Board approves self-bonding for Geneva Steel in the amount of \$540,549.00. The balance of \$639,951.00, however, must be posted in an acceptable form other than a self-bonding agreement. Upon posting of the required surety, the underlying surety previously posted by Utah International and CF&I should be released.

DATED this 10th day of June, 1991.

BOARD OF OIL, GAS AND MINING



JAMES W. CARTER, CHAIRMAN